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20 November 1953

MEMORANDUM OF CONVERSATION -- Meeting held in CIA,
                                18 November 1953,
                                at 2:30 p. m.

SUBJECT: Budgetary Analysis of Intelligence Programs

REFERENCES: IAC-M-129, Items 1 & 2 and Resume Circulated
                by the Bureau of the Budget at IAC Meeting,
                17 November 1953

PARTICIPANTS: The IAC agencies' representatives serving as
                an ad hoc committee to recommend a classifi-
                cation system for the Bureau of the Budget's
                Survey of Intelligence Budgets:

                Colonel George R. Gretser, G-2
                Colonel Lawrence E. Shaw, G-2
                Lt. Col. H. C. Hatchell, G-2
                Mr. James H. Ennis, State Department
                Mr. Sidney Buford, State Department
                Cmdr. E. E. Cragg, ONI
                Cmdr. W. E. McGonagle, ONI
                Colonel Donald H. Ainsworth, AFOIN
                Lt. Col. Thomas C. McGuire, AFOIN
                Colonel John G. Ondrick, JIG
                Mr. Meffert W. Kuhrtz, FBI
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                Mr. James Q. Reber, CIA, Chairman

    1. The referenced documents were discussed.

    2. It was agreed that the Chairman would submit to the
participants for their consideration and as a basis for further
discussion next week his understanding of the preliminary thinking
of the group on this subject today.

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3. Such a statement follows:

a) The major functional categories should be restricted to the classical classification of intelligence, namely: <u>production, collection, and dissemination.</u>

b) Intelligence activities under the category "production" should be classified as follows:

        1. Political, cultural and sociological
        2. Military
        3. Naval
        4. Air
        5. Economic
        6. Scientific
        7. Technical

c) Alternative 1: No attempt should be made to classify production additionally as basic, current, and national intelligence. Such a division, if made, would be unrealistic inasmuch as in some agencies the employment of personnel on these respective categories of intelligence will vary with the intensity of international relations and crises. There is no formula thus far discovered or used among the agencies which could indicate the actual allocation of resources to those categories of intelligence.'

Alternative 2: There should be a sub-classification in each of the classifications listed in (b) by basic, current and national. In general, it appears that the bulk of intelligence production resources are allocated to basic intelligence (including both the NIS and detailed analytic research), with relatively small resources on current and national estimating.

d) The category "collection" should be classified as overt and covert.

e) Administrative costs for intelligence should be pro-rated rather than set forth as a separate item.

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f) In connection with those activities, whether by
intelligence or by operations, which serve purposes
other than intelligence, the approximate intelligence
cost should be broken out and listed. This is particularly
applicable to certain problems in collection, but is not
necessarily restricted to collection.

4. It was understood that the group would endeavor to
prepare a final paper suitable for IAC discussion on 15 December,
and that such paper could elaborate and discuss both that classi-
fication system ultimately recommended and those classifications
not recommended.

JAMES Q. REBER
Assistant Director
Intelligence Coordination

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2 December 1953

MEMORANDUM OF CONVERSATION -- Meeting held in CIA,
1 December 1953,
at 2:30 p.m.

SUBJECT: Survey of Intelligence Budgets: Categories

REFERENCES: IAC-M-129, Items 1 & 2 and Resume Circulated
by the Bureau of the Budget at IAC Meeting,
17 November 1953; Memorandum of Conversation
on same subject dated 20 November 1953

PARTICIPANTS: Colonel George R. Gretser, G-2
Colonel Lawrence E. Shaw, G-2
Mr. James H. Ennis, State Department
Mr. Sidney Buford, State Department
Commander E. E. Cragg, ONI
Colonel Donald H. Ainsworth, AFOIN
Lt. Colonel Thomas C. McGuire, AFOIN
Colonel John G. Ondrick, JIG
Dr. Charles Reichardt, AEC
Mr. Hart Perry, Bureau of the Budget
Mr. Lyman Hamilton, Bureau of the Budget
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Mr. James Q. Reber, CIA, Chairman

1.   This meeting was held on the suggestion of the Bureau
of the Budget in order that, in working out the categories to be
used in the survey of intelligence budgets, the result might be as
useful as possible to the Bureau and as practical as possible for
the agencies.   The Deputy Director (Administration), CIA, made
the arrangement with the Bureau.

2.   The Bureau representatives read the outline attached
which represents the area of agreement thus far among the agencies.

3.   Mr. Perry indicated his initial disappointment that the
categories did not go into more detail, though he recognized after
discussion that a more detailed breakdown would almost invariably
weaken the basis for comparison among the agencies.

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4. Mr. Perry also inquired whether there could not be
a more detailed breakdown under collection, especially in overt
collection. It was explained that that, like any further sub-classi-
fication, was possible and that the particular figures for overt
collection would be composed of adding up the figures broken out
for such overt services as [   ] and the
intelligence aspects of the Foreign Service, Military Attaches,
etc.

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5. Mr. Hamilton inquired whether a program like NIS
could be isolated. The sense of the group seemed to be that in
part this was possible. With particular regard to the military
sections of NIS, however, it would have to be done arbitrarily,
inasmuch as materials for NIS find their way into both current
intelligence and estimates and that identifying only those in the
organizational elements which edit NIS would give an inaccurate
picture.

6. Mr. Perry and Mr. Hamilton said that after con-
sidering the paper more thoroughly, they would give their com-
ments to the Chairman by Thursday or Friday of this week and
that after a few days for study by the agencies they would be
glad to discuss the matter further if that seemed desirable.
It was explained to Messrs. Perry and Hamilton that the current
plan is to submit the categories for IAC review at its meeting
on December 15th, after which presumably Mr. Dulles would
transmit them to the Bureau in accordance with the schedule re-
quested by Mr. Macy.

7. Mr. Hamilton pointed out that the results of the
Bureau's survey would not be made available to the IAC unless
the IAC so requested.

JAMES Q. REBER
Assistant Director
Intelligence Coordination

Attachment

Suggested Categories for the Survey of Intelligence Budgets

1. The major categories should be restricted to the classical classification of intelligence, namely: collection, production and dissemination.

2. Intelligence activities under the category "production" should be further classified as follows:

        a. Political, cultural and sociological
        b. Ground Forces
        c. Naval Forces
        d. Air Forces
        e. Economic
        f. Scientific and Technical
        g. Geographic

3. No attempt should be made to classify "production" or the subdivision of "production" as basic, current, and national intelligence. Such a division, if made, would be unrealistic, inasmuch as in some agencies the employment of personnel on these respective categories of intelligence will vary with the intensity of international relations and crises. There is no formula thus far discovered or used among the agencies which could indicate the actual allocation of resources to those categories of intelligence.

4. The category "collection" should be divided as overt and covert.

5. The category "dissemination" should include screening, reproduction, translation, distribution and libraries.

6. In connection with those activities, whether by intelligence or by operations, which serve purposes other than intelligence, the approximate intelligence cost should be broken out and listed. This is particularly applicable to certain problems in collection, but is not necessarily restricted to collection.